GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3001
ANSWERED ON:07.12.2001
NON BANKING FINANCIAL COMPANIES
AMBATI BRAHMANAIAH

Will the Minister of FINANCE be pleased to state:

(a)whether the RBI has asked the Non Banking Financial Companies (NBFC) to reduce the rate of interest on deposits by 1.5% ;

(b) if so, the specific reasons for this directive of RBI;

(c) whether this will affect deposit mobilisation of NBFCs; and

(d) if so, the manner in which RBI will help such NBFCs to maintain their viability?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) : The maximum rate of interest on deposits payable by the Non-Banking Financial Companies (other than Residuary Non-Banking Companies) and the Nidhi and Chit Fund Companies has been reduced from 14% per annum to 12.5% per annum by the Reserve Bank of India on 31st October, 2001, effective from 1st November, 2001. The new rate has been made applicable only to fresh deposits and renewal of existing deposits on and from 1st November, 2001.

(b) : The rate of interest payable by NBFCs on their deposits has been reduced to align with the interest rates generally prevalent on deposits in the financial system.

(c)& (d) : The reduction in interest rates would reduce the cost of raising funds and improve the spread of deposits. Reduced cost of borrowings would help NBFCs to remain competitive in their lending rates, thus maintaining volume of their business and retaining their margins and profitability.